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**St. Helena Parish Hospital
Service District No. 1
A Component Unit of the
St. Helena Parish Police Jury
Greensburg, Louisiana
October 31, 2004**

Under provisions of state law, this report is a public document. A copy of the report has been submitted to the entity and other appropriate public officials. The report is available for public inspection at the Baton Rouge office of the Legislative Auditor and, where appropriate, at the office of the parish clerk of court.

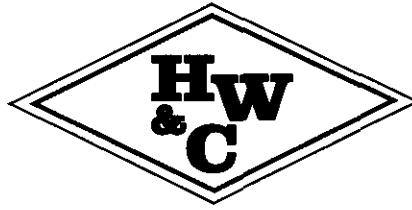
Release Date 4-27-05

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December 10, 2004

Independent Auditor's Report

The Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

We have audited the accompanying financial statements of

**St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana**

a component unit of the St. Helena Parish Police Jury, Greensburg, Louisiana, as of and for the years ended October 31, 2004 and 2003, as listed in the table of contents. These financial statements are the responsibility of St. Helena Parish Hospital Service District No. 1's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The financial statements include certain assets to which the District does not have title and corresponding expenses which affect these financial statements. If such items had been recorded in accordance with accounting principles generally accepted in the United States of America, property and plant would be reduced by \$602,089 and \$673,340, fund balance by \$602,089 and \$673,340, and, depreciation expense by \$73,251, for 2004 and 2003, respectively.

In our opinion, because of the effects of the matters discussed in the preceding paragraph, the financial statements referred to in the table of contents do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of St. Helena Parish Hospital Service District No. 1, Greensburg, Louisiana as of October 31, 2004 and 2003, or the results of its operations or its cash flows for the years then ended.

As described in Note 1, the St. Helena Parish Hospital Service District No. 1 has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of November, 2003.

The Management's Discussion and Analysis on pages 5 through 11 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2004, on our consideration of St. Helena Parish Hospital Service District No. 1's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Yours truly,

Hawthorn, Wymouth & Canall, L.L.P.

St. Helena Parish Hospital Service District No. 1
Management's Discussion and Analysis
Of the Basic Financial Statements
October 31, 2004

This portion of the Hospital Service District's annual financial reporting presents background information and management's review of the District's financial performance for the fiscal year, ending October 31, 2004. Exceptional circumstances regarding settlement with the Internal Revenue Service over previously unpaid payroll taxes are reflected in this commentary. This Section should be interpreted within the context of financial statements as displayed in this report.

Financial Highlights

- The District's net income improved from a loss of \$973,523 in 2003, to a *gain of \$1,113,358* during 2004.
- The District negotiated and settled via 'Offer in Compromise' with the Internal Revenue Service regarding outstanding and previously unpaid payroll taxes from calendar years 2000 thru 2002. The US Treasury Department accepted the 'Offer' effective June 2004, eliminating \$1,813,475 in related liability carried previously on 2003 audited financial statements.
- The District received \$1,037,532 in revenues regarding Uncompensated Care Costs during 2004. This compares with \$857,362 of commensurate revenue in 2003.
- The District migrated to teleradiology, reducing direct specialty physician costs by \$168,000 annually. A lease of equipment valued at \$125,000 was initiated in 2004 to accommodate clinical needs, while allowing for future enhancements in technology.

Required Financial Statements

The basic financial statements of the Hospital Service District report information regarding the District using Governmental Accounting Standards Board (GASB) accounting principles. These statements offer short-term and long-term financial information about its activities. The Balance Sheets include all of the District's assets and liabilities and provide information about the nature and amounts of investments in resources (assets) and the obligations to District creditors (liabilities). It also provides the basis for computing rate of return, evaluating the capital structure, and assessing the liquidity and financial flexibility of the District. All of the current year's revenues and expenses are accounted for in the Statements of Revenues, Expenses, and Changes in Net Assets. This statement measures improvements in the District's operations over the past two fiscal years, and can be used to determine whether the District has been able to recover all of its costs through its patient service and other revenue sources. The final required financial statement is the Statement of Cash Flows. The primary purpose of this statement is to provide information about the District's cash from operations and financial activities, as well as define the source(s) of cash, its use, and cash balance changes during the reporting period. Additional statistical information and notes are offered as support, explanation and information.

Financial Analysis of the Hospital Service District

The Balance Sheets and Statements of Revenue, Expenses, and Changes in Net Assets report data about the District's activities. These two (2) statements report net assets of the District and changes in them. Increases or decreases in net assets are one indicator regarding the financial integrity of the District. Other non financial indicators include changes in State and local economic conditions, as well as regulatory changes regarding Medicare and Medicaid, especially as these may impact Critical Access Hospital status, and related cost based reimbursements.

St. Helena Parish Hospital Service District No. 1
Management's Discussion and Analysis
Of the Basic Financial Statements
October 31, 2004

Net Assets

A summary of the Hospital Service District's Balance Sheets is displayed in the following table:
Condensed Balance Sheets

	<u>2004</u>	<u>2003</u>
Current and Other Assets	\$1,698,689	\$1,880,194
Assets Limited as to Use	64,551	70,272
Property, Plant and Equipment	<u>2,153,639</u>	<u>2,233,836</u>
Total Assets	<u><u>\$3,916,879</u></u>	<u><u>\$4,184,302</u></u>
Current Liabilities	\$2,650,199	\$4,073,744
Long-Term Debt	<u>1,300,574</u>	<u>1,257,810</u>
Total Liabilities	3,950,773	5,331,554
Total Net Assets (Deficit)	<u>(33,894)</u>	<u>(1,147,252)</u>
Total Liabilities and Net Assets (Deficit)	<u><u>\$3,916,879</u></u>	<u><u>\$4,184,302</u></u>

Property, Plant and Equipment

The following table presents the components of property, plant and equipment at October 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Land	\$202,565	\$202,565
Building	3,958,356	3,958,356
Equipment	1,205,714	1,141,874
Equipment under capital leases	<u>667,382</u>	<u>497,742</u>
	6,034,017	5,800,537
Less accumulated depreciation	<u>3,880,378</u>	<u>3,566,701</u>
Property, plant and equipment, net	<u><u>\$2,153,639</u></u>	<u><u>\$2,233,836</u></u>

St. Helena Parish Hospital Service District No. 1
Management's Discussion and Analysis
Of the Basic Financial Statements
October 31, 2004

FYE 2003-04 Net Assets shift is primarily impacted by completed and successful negotiations with the Internal Revenue Service regarding previously unpaid payroll taxes. Principal and interest, including penalties, of \$1,813,475 were carried as liabilities within the 2003 audited financial statements. Effective June 29, 2004 the US Treasury Department forgave this debt.

The following table presents the components of the District's net assets at October 31, 2004 and 2003:

	<u>2004</u>	<u>2003</u>
Invested capital assets, net of related debt	\$684,321	\$687,432
Unrestricted	<u>(718,215)</u>	<u>(1,834,684)</u>
Total net assets	<u><u>(\$33,894)</u></u>	<u><u>(\$1,147,252)</u></u>

Summary of Revenue, Expenses, and changes in Net Assets

The following table presents a summary of the Hospital Service District's revenues and expenses regarding the latest two (2) fiscal years:

**Condensed Statements of Revenue, Expenses
and Changes in Net Assets**

	<u>2004</u>	<u>2003</u>
Net Patient Service Revenue	\$7,618,564	\$7,111,185
Other Revenue	<u>520,266</u>	<u>458,572</u>
Total Revenue	<u><u>8,138,830</u></u>	<u><u>7,569,757</u></u>
Salary Expense	3,945,409	3,611,164
Other Operating Expense	4,137,692	3,992,205
Provision for Bad Debts	454,286	616,243
Depreciation and Amortization	<u>293,671</u>	<u>309,433</u>
Total Expenses	<u><u>8,831,058</u></u>	<u><u>8,529,045</u></u>
Loss on Discontinued Operations	<u>(7,889)</u>	<u>(14,235)</u>
Extraordinary IRS Revenue	<u>1,813,475</u>	<u> </u>
<i>Excess of Revenue (Under) Expenses</i>	<i>1,113,358</i>	<i>(973,523)</i>
Net Assets (Deficit) at Beginning of Fiscal Year	<u>(1,147,252)</u>	<u>(173,729)</u>
Net Assets (Deficit) at Conclusion of Fiscal Year	<u><u>(33,894)</u></u>	<u><u>(1,147,252)</u></u>

St. Helena Parish Hospital Service District No. 1
Management's Discussion and Analysis
Of the Basic Financial Statements
October 31, 2004

Sources of Revenue

The Hospital Service District derives the majority of its of total revenue from patient service operations. St. Helena Parish Hospital is Louisiana's first Critical Access Hospital and, as such, has been reimbursed for Medicare services on a cost basis since 2000. Effective with the Medicare Cost Report filing regarding fiscal year 2005, the Hospital Service District receives 101% of Hospital based Medicare costs.

The following table displays payor mix percentages as a function of total billed charges during 2004, as compared with 2003:

	<u>2004</u>	<u>2003</u>
Medicare	36%	31%
Medicaid	36%	43%
Commercial	14%	15%
Self-Pay	14%	11%

The Hospital Service District derives additional revenues from meals sold in the Hospital Cafeteria, Ad Valorem Taxes, Grants, and Donations. During 2004 the Hospital Service District created the St. Helena Medical Foundation, Inc, which was approved by the Internal Revenue Service as a legal entity to which charitable donations to the District are made on a tax deductible basis.

Operating and Financial Performance

The District's primary source of revenue is patient service related, and particularly with a rural hospital, is driven by admissions. The practical end of patient revenue involves converting admissions and treatment into cash collections. The industry standard regarding management of receivables is the measure of outstanding days in accounts receivable. This next table displays both discharge (billable) days, along with days in accounts receivable from 2003 to 2004:

	<u>2004</u>	<u>2003</u>
Inpatient Discharge Days	1,306	956
Outstanding Days in A/R	50	49

A thirty-seven percent (37%) increase in Hospital billable days has occurred from FYE 2003 to 2004, while days in accounts receivable have remained relatively constant. Generally, as patient and account volumes increase, there will be a slight deterioration in billing and turnaround time, impacting Days in accounts receivable. However, the District's statistical measure of Days in accounts receivable has remained significantly and consistently below industry expectations of between sixty (60) and sixty-five (65) days outstanding (Expectations may vary according to payor mix, geographic region, etc). This efficient conversion of patient revenue into cash has enabled the District to manage payables, including timely payment of all payroll taxes during fiscal year 2004, namely \$930,300.

St. Helena Parish Hospital Service District No. 1
Management's Discussion and Analysis
Of the Basic Financial Statements
October 31, 2004

In 2003, the voters of St. Helena Parish approved the sale of Morgan Hills. Although the District has obtained a purchase agreement for the property, the sale has not been executed at this time due to a lien on the property. As such, the operating results of the component were reported as a loss on discontinued operations of \$7,889.

During 2004, the District made an offer in compromise to the Internal Revenue Service to extinguish its outstanding debt. The Internal Revenue Service accepted the offer in compromise resulting in an extraordinary gain of \$1,813,475.

Budget and Strategy for Fiscal Year 2005

The Budget regarding 2005 was approved by the Board of Commissioners during its regular meeting of September 2004. Highlights and expectations regarding 2005 are as follows:

- The District has applied for a \$3.1 million loan from the USDA, which is pending final approval. The bulk of funds is needed for plant improvements regarding the Hospital and Nursing Home. The Board approved 2005 Budget is identical to that submitted to the USDA by an independent CPA.
- The Hospital will open an outpatient psychiatric unit during January 2005. This unit will service the Medicare population and contribute significantly to the Critical Access Hospital's revenue and District's net income.
- Recent adjustments in Nursing Home per diem Medicaid payments will positively impact revenue for the District by \$180 thousand annually, as compared with 2004.
- The administration has negotiated a \$60 thousand annual reduction in Emergency Room physician coverage costs for 2005.
- The District is changing wholesale pharmaceutical distributors in 2005. Currently, the District is paying three percent (3%) above cost. The new wholesaler will charge this District two percent (2%) below cost.

Contacting the Hospital Service District's Chief Financial Officer

This financial report is intended to provide our community, patients, and creditors with a general overview of the Hospital Service District's financial position, and demonstrate accountability regarding all revenues received. If further information is required, requests should be submitted in writing to:

Chief Financial Officer
St Helena Parish Hospital & Nursing Home
PO Box 337
Greensburg, LA 70441

St. Helena Parish Hospital Service District No. 1
Balance Sheets
October 31, 2004 and 2003

A s s e t s

	<u>2004</u>	<u>2003</u>
Current Assets		
Cash and cash equivalents	\$527,390	\$750,744
Patient accounts receivable (net of estimated uncollectibles of \$491,364 for 2004 and \$456,414 for 2003)	538,070	542,627
Accounts receivable - other	286,401	261,706
Supplies inventory	247,012	272,363
Prepaid expenses	<u>99,816</u>	<u>52,754</u>
<u>Total current assets</u>	<u>1,698,689</u>	<u>1,880,194</u>
Assets Limited As to Use		
Under indenture agreement	<u>64,551</u>	<u>70,272</u>
<u>Noncurrent assets limited as to use</u>	<u>64,551</u>	<u>70,272</u>
Property, Plant and Equipment, Net	<u>2,153,639</u>	<u>2,233,836</u>
	<u> </u>	<u> </u>
<u>Total assets</u>	<u>3,916,879</u>	<u>4,184,302</u>

The accompanying notes are an integral part of these statements.

Liabilities and Net Assets (Deficit)

	<u>2004</u>	<u>2003</u>
Current Liabilities		
Current maturities of mortgage and notes payable	\$2,888	\$166,791
Current maturities of bond payable	23,639	22,460
Certificate of Indebtedness	300,000	300,000
Current portion of obligations under capital leases	142,217	99,343
Accounts payable	622,131	683,343
Estimated third party payor settlements	502,835	54,550
Accrued liabilities	373,623	2,195,441
Deferred revenue - uncompensated care	<u>682,866</u>	<u>551,816</u>
<u>Total current liabilities</u>	<u>2,650,199</u>	<u>4,073,744</u>
Long-Term Debt		
Mortgage and notes payable, less current maturities	751,891	754,778
Bonds payable, less current maturities	253,908	279,128
Obligations under capital leases, less current portion	<u>294,775</u>	<u>223,904</u>
	<u>1,300,574</u>	<u>1,257,810</u>
<u>Total liabilities</u>	<u>3,950,773</u>	<u>5,331,554</u>
Net Assets (Deficit)		
Invested in capital assets, net of related debt	684,321	687,432
Unrestricted	<u>(718,215)</u>	<u>(1,834,684)</u>
<u>Total net assets (deficit)</u>	<u>(33,894)</u>	<u>(1,147,252)</u>
<u>Total liabilities and net assets (deficit)</u>	<u>3,916,879</u>	<u>4,184,302</u>

St. Helena Parish Hospital Service District No. 1
Statements of Revenues, Expenses,
and Changes in Net Assets (Deficit)
Years Ended October 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Revenue		
Net patient service revenue	\$7,618,564	\$7,111,185
Other operating revenue	<u>510,326</u>	<u>446,032</u>
<u>Total revenue</u>	<u>8,128,890</u>	<u>7,557,217</u>
Expenses		
Salaries	3,945,409	3,611,164
Outside services	1,275,930	1,384,947
Supplies and other	918,371	832,019
General and administrative	1,890,966	1,725,800
Provision for bad debts	454,286	616,243
Interest	52,425	49,439
Depreciation and amortization	<u>293,671</u>	<u>309,433</u>
<u>Total expenses</u>	<u>8,831,058</u>	<u>8,529,045</u>
<u>Operating income (loss)</u>	(702,168)	(971,828)
Other Revenue		
Interest	<u>9,940</u>	<u>12,540</u>
Excess of Revenue Over (Under) Expenses from Continuing Operations	(692,228)	(959,288)
Gain (Loss) on Discontinued Operations	<u>(7,889)</u>	<u>(14,235)</u>
Excess of Revenue Over (Under) Expenses Before Extraordinary Items	(700,117)	(973,523)
Extraordinary Items - Gain on Extinguishment of Debt	<u>1,813,475</u>	<u> </u>
Excess of Revenue Over (Under) Expenses	1,113,358	(973,523)
Net Assets, at beginning of year	<u>(1,147,252)</u>	<u>(173,729)</u>
Net Assets, at end of year	<u><u>(33,894)</u></u>	<u><u>(1,147,252)</u></u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1
Statements of Cash Flows
Years Ended October 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Cash Flows From Operating Activities		
Receipts from patients and third-party payors	\$7,785,516	\$7,747,945
Payments to employees and for employee-related costs	(3,944,664)	(4,129,452)
Payments for other operating expenses	<u>(3,690,353)</u>	<u>(3,347,239)</u>
<u>Net cash provided by operating activities</u>	<u>150,499</u>	<u>271,254</u>
Cash Flows From Non-Capital Financing		
Discontinued operations	14,617	5,833
Proceeds from Certificate of Indebtedness		300,000
Interest paid on debt	<u>(15,301)</u>	<u>(8,975)</u>
<u>Net cash provided (used) by non-capital financing activities</u>	<u>(684)</u>	<u>296,858</u>
Cash Flows From Capital and Related Financing Activities		
Principal payments on notes	(166,790)	(174,827)
Principal payments on bonds	(24,041)	(20,197)
Principal payments on capital leases	(116,695)	(102,167)
Interest paid on debt	<u>(37,124)</u>	<u>(40,841)</u>
<u>Net cash used in capital and related financing activities</u>	<u>(344,650)</u>	<u>(338,032)</u>
Cash Flows From Investing Activities		
Purchase of property, plant and equipment	(44,180)	(62,421)
Change in assets limited as to use	5,721	(8,339)
Interest income	<u>9,940</u>	<u>12,540</u>
<u>Net cash used in investing activities</u>	<u>(28,519)</u>	<u>(58,220)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(223,354)	171,860
Cash and Cash Equivalents, beginning of year	<u>750,744</u>	<u>578,884</u>
Cash and Cash Equivalents, end of year	<u><u>527,390</u></u>	<u><u>750,744</u></u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1
Statements of Cash Flows
Years Ended October 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities		
Operating income (loss)	(\$702,168)	(\$971,828)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities		
Depreciation and amortization	293,671	309,433
Provision for bad debts	454,286	616,243
Interest	52,425	49,816
Extraordinary gain	1,813,475	
Changes in operating assets and liabilities		
(Increase) Decrease in accounts receivable	(474,424)	220,366
(Increase) Decrease in supplies inventory	25,351	(9,226)
(Increase) Decrease in prepaid expenses	(8,422)	(21,542)
Increase (Decrease) in accounts payable	(61,212)	(117,169)
Increase (Decrease) in third-party payor settlements	448,285	54,550
Increase (Decrease) in accrued liabilities	(1,821,818)	170,249
Increase (Decrease) in deferred revenue	<u>131,050</u>	<u>(29,638)</u>
<u>Net cash provided by operating activities</u>	<u>150,499</u>	<u>271,254</u>
 Supplemental Schedule of Non-Cash Activities		
Capital lease obligation	\$230,440	
Refinanced line-of-credit to note payable	<u>230,440</u>	<u>\$250,303</u>
		<u>250,303</u>
 Supplemental Disclosure of Cash Flow Information		
Cash paid during the year for interest	<u>\$58,472</u>	<u>\$67,271</u>

The accompanying notes are an integral part of these statements.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 1-Summary of Significant Accounting Policies

A. Report Issued Under Separate Cover

The St. Helena Parish Hospital Service District No. 1's component unit financial statements are an integral part of the St. Helena Parish Police Jury's comprehensive annual financial report. This report has been issued under separate cover for the St. Helena Parish Hospital Service District No. 1, and should not be used for any other purpose.

B. Principles of Consolidation

The financial statements were consolidated as of and for the year ended October 31, 2004. These consolidated financial statements include the St. Helena Parish Hospital Service District No. 1 and the St. Helena Medical Foundation, Inc. All intercompany accounts and transactions have been eliminated upon consolidation. The 2003 financial statements were not consolidated and include only the information of St. Helena Parish Hospital Service District No. 1.

C. Financial Reporting Entity

On December 29, 1962, the St. Helena Parish Police Jury passed a resolution creating the St. Helena Parish Hospital Service District No. 1 (hereinafter sometimes called the "District") under the authority of Article 6, Section 19, of the 1974 Louisiana Constitution and Chapter 10 of Title 46 of the Louisiana Revised Statutes of 1950, as amended. The District is composed of all the territory situated within the Parish of St. Helena, Louisiana.

The governing authority of the District consists of a board of six (6) commissioners, all of whom are qualified electors of the Parish of St. Helena, Louisiana. The Commissioners serve without pay, per diem, or reimbursement of expense, except actual cash out-of-pocket expenses incurred in the performance of their duties.

The public purpose of the District is to secure, provide for, and protect the public health and welfare by the treatment of human ailments through the acquisition and construction of projects as authorized by Chapter 10 of Title 46 of the 1974 Louisiana Constitution, and the financing and refinancing of indebtedness to acquire, construct, renovate, improve hospitals, clinics, laboratories, a nursing home, and any other facility, building or structure which may be of use and benefit in the teaching, training or practice of medical science and treatment of human ailments, or for such other facilities as the District shall find useful in the study of, or research in, or treatment of illness or infirmities, all as is more fully set out in said Chapter 10 of Title 46 of the 1974 Louisiana Constitution. The District also operates a 72 bed nursing home and a 24 unit apartment for the elderly and handicap.

During 2004, the District created the St. Helena Medical Foundation, Inc. as a legal entity to which charitable donations to the District are made on a tax deductible basis.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 1-Summary of Significant Accounting Policies (Continued)

D. Basis of Presentation

The accounts of the District are organized on the basis of a fund which is considered a separate accounting entity. The operations of the fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenue and expenses. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

On November 1, 2003, the District adopted the provisions of Statement No. 34 (Statement 34) of GASB, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. Statement 34 established standards for external financial reporting for all state and local governmental entities, which include a balance sheet, a statement of revenue, expenses and changes in net assets, and a direct method statement of cash flows. It requires the classification of net assets into three components - invested capital assets, net of related debt, restricted and unrestricted. These classifications are defined as follows:

- *Invested in capital assets, net of related debt.* This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets.
- *Restricted.* This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted.* This component of net assets consists of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

The adoption of Statement 34 resulted in the previously reported unrestricted fund balance amount being classified to conform to the above net asset classifications. Additionally, the District restated the 2003 statements of cash flow to conform to the direct method of reporting cash receipts and disbursements.

E. Budgetary Accounting

The District's adopted budget meets the requirements of the Louisiana Local Government Budget Act as provided by Louisiana Revised Statutes 13:1301-1315.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 1-Summary of Significant Accounting Policies (Continued)

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

G. Cash and Cash Equivalents

For purposes of the Statement of Cash Flows, the District considers all highly liquid investments purchased with an initial maturity of three months or less to be cash equivalents.

H. Deposits

The October 31, 2004, carrying amount of the District's deposits was \$591,941 and the bank balance was \$1,069,832, which was covered by federal depository insurance and/or by collateral held by the agents in the District's name. The October 31, 2003, carrying amount of the District's deposits was \$821,016 and the bank balance was \$1,509,900, which was covered by federal depository insurance and/or by collateral held by the agents in the District's name.

I. Accounts Receivable

Accounts receivable from patients, insurance companies and third-party reimbursement contractual agencies are recorded at established charge rates. Certain third-party insured accounts (Medicare and Medicaid) are based on cost reimbursement agreements which generally result in the District collecting more or less than the established charge rates with the difference recorded as "contractual adjustments." Final determination of settlement is subject to review by appropriate authorities. Adequate allowances are provided for doubtful accounts and contractual adjustments. Doubtful accounts are written off against the allowance after adequate collection effort is exhausted and recorded as recoveries of bad debts if subsequently collected. Net operating revenue includes only those amounts established by management to be collectible.

J. Charity Care

The Hospital provides care, without charge or at amounts less than its established rates, to patients who meet certain criteria under its charity care policy. Because the Hospital does not pursue collection of amounts determined to qualify as charity care, they are not reported as revenue.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 1-Summary of Significant Accounting Policies (Continued)

K. Assets Whose Use Is Limited

Assets limited as to use under terms of the bond indentures are classified as assets whose use is limited.

L. Inventories of Supplies

Supplies are valued at the lower of cost (first-in, first-out) or net realizable value.

M. Property, Plant and Equipment

Property, plant and equipment is stated at cost, except for assets donated to the District. Donated assets are recorded at the appraised value at the date of donation.

Equipment under capital leases is amortized on the straight-line method over the shorter period of the lease term or the estimated useful life of the equipment. Such amortization is included in depreciation and amortization in the financial statements.

Maintenance, repairs, replacements and improvements of minor amounts are expensed. Major replacements and improvements are capitalized.

Depreciation is computed using the straight-line method over the estimated useful lives of the related assets as follows:

Buildings	10 - 40 years
Equipment	5 - 15 years

N. Costs of Borrowing

Interest cost incurred on borrowed funds during the period of construction of capital assets is capitalized as a component of the cost of acquiring those assets. There was no interest capitalized during the years ended October 31, 2004 and 2003.

O. Net Patient Service Revenue

Net patient service revenue is reported at the estimated net realizable amounts from patients, third-party payers, and others for services rendered and includes estimated retroactive revenue adjustments due to future audits, reviews, and investigations. Retroactive adjustments are considered in the recognition of revenue on an estimated basis in the period the related services are rendered, and such amounts are adjusted in future periods as adjustments become known or as years are no longer subject to such audits, reviews, and investigations.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 1-Summary of Significant Accounting Policies (Continued)

O. Net Patient Service Revenue (Continued)

Laws and regulations governing the Medicare and Medicaid programs are extremely complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term.

P. Advertising

Advertising costs are expensed as incurred. Advertising costs of \$4,200 and \$9,558 were expensed in 2004 and 2003, respectively.

Q. Paid Time Off

Paid time off (PTO) includes vacation and holiday pay. Accumulated unpaid PTO is accrued when incurred up to a maximum of 34 days. Employees earn and vest in PTO leave according to years of service as follows:

<u>Years of Service</u>	<u>Full-Time Employees</u>
Over 5 years	2.58 days per month
Less than 5 years	2.16 days per month

Sick pay is not vested.

R. Income Taxes

The District is exempt from income taxes under Internal Revenue Code Section 115.

S. Property Taxes

The Sheriff of St. Helena Parish, as provided by state law, is the official tax collector of property taxes levied by the parish and parish special districts.

The 2004 and 2003 property tax calendars were as follows:

	<u>2004</u>	<u>2003</u>
Millage rates adopted	July 28, 2003	August 26, 2002
Tax bills mailed	November 26, 2003	November 11, 2002
Due date	December 31, 2003	December 31, 2002
Certified delinquent notice	March 8, 2004	February 25, 2003

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 1-Summary of Significant Accounting Policies (Continued)

S. Property Taxes (Continued)

Property taxes are recognized as revenue in the calendar year for which they are due. State law requires the sheriff to collect property taxes in the calendar year in which the assessment is made. After notice is given to the delinquent taxpayers, the sheriff is required by the constitution of the State of Louisiana to sell the least quantity of property necessary to settle the taxes and interest owed.

T. Reclassification

Certain reclassifications have been made to the 2003 financial statements to conform with classifications used in 2004. The reclassifications had no effect on fund balance or revenue over (under) expenses.

U. Accounting Standards

Pursuant to Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the District has elected to apply the provisions of all relevant pronouncements of the Financial Accounting Standards Board (FASB), including those issued after November 30, 1989.

V. Risk Management

The District is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; and natural disasters. Commercial insurance coverage is purchased for claims arising from such matters. Settled claims have not exceeded this commercial coverage in any of the past several years. The District is self-insured for employee health benefits.

Note 2-Land and Building

The title to the District's land and building on which the Hospital is located, is in the name of St. Helena Parish Police Jury. The effects are described in the auditor's report. The St. Helena Parish Police Jury is in the process of transferring the title of the land to the District.

Note 3-Net Patient Service Revenue

The District has agreements with third-party payers that provide for payments to the Hospital at amounts different from its established rates. A summary of the payment arrangements with major third-party payers follows.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 3-Net Patient Service Revenue (Continued)

Medicare

Effective December 1, 1999, the District was certified as a Critical Access Hospital which changed the reimbursement methodology as follows. Inpatient acute care services rendered to Medicare program beneficiaries are paid on a cost reimbursement methodology. Inpatient nonacute services, certain outpatient services, and defined capital and medical education costs related to Medicare beneficiaries are paid based on a cost reimbursement methodology. The District is reimbursed for cost reimbursable items at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicare fiscal intermediary. The District's classification of patients under the Medicare program and the appropriateness of their admission are subject to an independent review by a peer review organization under contract with the District. The District's Medicare cost reports have been audited by the Medicare fiscal intermediary through October 31, 2000.

Medicaid

Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed under a cost reimbursement methodology. Inpatients are reimbursed at the prospectively determined peer group per diem, and outpatients are reimbursed at cost per the cost report, less 17%. The District is reimbursed at a tentative rate with final settlement determined after submission of annual cost reports by the District and audits thereof by the Medicaid fiscal intermediary. The District's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through October 31, 2000.

The District has also entered into payment agreements with certain commercial insurance carriers, health maintenance organizations, and preferred provider organizations. The basis for payments to the Hospital under these agreements includes prospectively determined rates per discharge, discounts from established charges, and prospectively determined daily rates.

Note 4-Assets Whose Use Is Limited

Assets whose use is limited that are required for obligations classified as current liabilities are reported in current assets. The composition of assets whose use is limited at October 31, 2004 and 2003, is set forth in the following table.

	<u>2004</u>	<u>2003</u>
Under indenture agreement		
Cash	<u>\$64,551</u>	<u>\$70,272</u>

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 5-Property, Plant and Equipment

A summary of property, plant and equipment at October 31, 2004 and 2003 is as follows:

	<u>2004</u>	<u>2003</u>
Land		
Hospital	\$166,565	\$166,565
Morgan Hills	36,000	36,000
Buildings		
Hospital	2,092,909	2,092,909
Morgan Hills	767,077	767,077
Nursing Home	1,098,370	1,098,370
Equipment	1,205,714	1,141,874
Equipment under capital leases	<u>667,382</u>	<u>497,742</u>
	6,034,017	5,800,537
Less accumulated depreciation and amortization	<u>3,880,378</u>	<u>3,566,701</u>
Property, plant and equipment, net	<u><u>2,153,639</u></u>	<u><u>2,233,836</u></u>

Depreciation expense for the years ended October 31, 2004 and 2003, was \$316,177 and \$329,501, respectively. Accumulated amortization for equipment under capital lease obligations was \$297,945 and \$208,653 at October 31, 2004 and 2003, respectively.

Note 6-Certificate of Indebtedness

The District has a \$500,000 Certificate of Indebtedness with the Bank of Greensburg, of which \$300,000 has been drawn as of October 31, 2004 and 2003, with an interest rate of 6%, secured by a pledge of all revenues accruing to the District.

Note 7-Mortgage and Notes Payable

Mortgage and notes payable consist of the following:

	<u>2004</u>	<u>2003</u>
Note payable to Bank of Greensburg due on demand with interest at 8%. Note is secured by ad valorem taxes.		\$137,657
Note payable to Hill-Rom Company at 8.5% payable in 24 monthly installments of \$4,525. Note is secured by equipment.		26,487
Mortgage payable to Farmers Home Administration with interest ranging from 1% to 8.75% for 50 years with a monthly payment of \$1,646. Note is secured by the Morgan Hills apartments.	<u>\$754,779</u>	<u>757,425</u>
	754,779	921,569
Less current maturities	<u>2,888</u>	<u>166,791</u>
Mortgage and notes payable less current maturities	<u><u>751,891</u></u>	<u><u>754,778</u></u>

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 7-Mortgage and Notes Payable (Continued)

Maturities of long-term debt for the next five years ending October 31, are as follows:

2005	\$2,888
2006	3,151
2007	3,438
2008	3,751
2009	4,093

Note 8-Bonds Payable

Bonds payable consist of the following:

	<u>2004</u>	<u>2003</u>
Hospital Revenue Bonds of \$467,000 requiring monthly installments of \$3,115 (principal and interest) for 20 years at an annualized rate of 5.125%. Bonds are secured by the land and building of the hospital and by a pledge of all operating revenue.	\$277,547	\$301,588

As required by the bond agreement, the District was required to establish three separate accounts: Sinking Fund, Reserve Fund and Contingency Fund. The Sinking Fund is required to have an amount sufficient to pay promptly and fully the principal and interest on the bonds. The Reserve Fund must have an amount paid to it equal to 10% of the amount paid to the Sinking Fund each month. The amount shall continue until the Reserve Fund has accumulated a sum equal to the combined principal and interest falling due in any year on the bonds. The Contingency Fund shall have deposited \$170 per month to cover depreciation, additions, improvements and replacements necessary to properly operate the District. These amounts have been classified as assets whose use is limited.

	<u>277,547</u>	<u>301,588</u>
Less current maturity of bonds payable	<u>23,639</u>	<u>22,460</u>
Bond payable less current maturities	<u>253,908</u>	<u>279,128</u>

Bond maturities for each of the next five years ending October 31, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$23,639	\$13,740	\$37,379
2006	24,879	12,500	37,379
2007	26,185	11,194	37,379
2008	27,559	9,820	37,379
2009	29,005	8,374	37,379

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 9-Deferred Revenue

The District receives uncompensated cost rendered to Medicaid and uninsured patients, commonly referred to as disproportionate share payments. The payment is subject to audit by the Louisiana Department of Health and Hospitals. The coverage of the payment is recognized into revenue over the states fiscal year from July 1 to June 30.

Note 10-Capital Leases - Equipment

The District leases various equipment, with a net book value of \$369,437 in 2004 and \$289,089 in 2003, under a capital lease which expires in 2009. Assets and liabilities under capital leases are recorded at the lower of the present value of the minimum lease payments or the fair value of the asset and the assets are depreciated over their estimated useful lives. Depreciation of assets under capital leases is included in depreciation expense.

Future minimum lease payments under the capital lease are as follows:

2005	\$163,179
2006	163,179
2007	74,649
2008	56,929
2009	<u>29,572</u>
Total minimum lease payments	487,508
Less amount representing interest	<u>50,516</u>
	436,992
Less current portion of obligations under capital leases	<u>142,217</u>
Obligations under capital leases, less current portion	<u>294,775</u>

Note 11-Operating Leases

The District leases various medical equipment under operating leases which began in 2000 and expire in 2007. Rent expense was \$254,021 in 2004 and \$250,675 in 2003. Minimum future rental payments under non-cancelable operating leases are as follows:

2005	\$233,796
2006	139,664
2007	54,019

Note 12-Restricted From Prior Bond Indenture

A portion of the Districts ad valorem taxes received are restricted to pay the debt on the General Obligation Hospital Public Improvement Bonds. The Bonds were paid in full in 2001. The remaining balance was used for its intended purpose. Therefore, the balance was transferred to unrestricted for the year ended October 31, 2003.

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 13-Pension Plan

The District adopted a 403(b) defined contribution plan for the year ended October 31, 2002. Contributions are matched based on years of service not to exceed 6%. Contributions to the plan totaled \$129,174 in 2004, and \$110,898 in 2003.

Note 14-Self-Funded Insurance

The District provides health insurance to its employees through a self-funded insurance plan. The plan, which is administered by a third party, has a stop loss insurance agreement to limit its losses on individual claims. The amount of stop loss per individual is \$40,000 per plan year. The aggregate stop loss for the plan year is \$1,000,000. Claims are accrued based upon the aggregate liability for the reported claims incurred and an estimated liability for claims incurred but not reported. These liabilities are not discounted.

Note 15-Medical Malpractice Claims

The District has medical malpractice insurance up to \$100,000 through the Louisiana Hospital Association Trust Fund and an additional \$400,000 through the Patients Compensation Fund. Under current Louisiana law, its liability is limited to the statutory maximum of \$500,000.

Note 16-Discontinued Operations

In 2003 the voters of St. Helena Parish approved the sale of Morgan Hills. Although the District has obtained a purchase agreement for the property, the sale has not been executed at this time due to a lien on the property. As such, the operating results of the component were reported as discontinued operations for this year. The assets and liabilities to be disposed of comprise of the following at October 31, 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Assets		
Cash	\$54,224	\$64,010
Accounts receivable	6,970	
Fixed Assets-Net	571,851	532,349
Other assets	<u>1,121</u>	
	<u>634,166</u>	<u>596,359</u>
Liabilities		
Payables	10,858	9,986
Note Payable	<u>754,779</u>	<u>757,425</u>
	<u>765,637</u>	<u>767,411</u>

St. Helena Parish Hospital Service District No. 1
Notes to Financial Statements
October 31, 2004 and 2003

Note 17-Contingent Liabilities

The District is a defendant in a lawsuit as a result of an arbitration award against St. Helena Congregate Facility, Inc. A judgement was rendered against the District on May 16, 2002 in the amount of \$38,710, together with legal interest from March 11, 1996 until paid. The District will vigorously defend its position.

The District is also a litigate in various other lawsuits. Management of the District, on the advice of legal counsel, believes that such proceedings and contingencies will not have a material effect on the District.

Note 18-Extraordinary Item

During 2004, the District made an offer in compromise to the Internal Revenue Service to extinguish its outstanding debt. The Internal Revenue Service accepted the offer in compromise resulting in an extraordinary gain of \$1,813,475.

Note 19-Concentration of Credit Risk

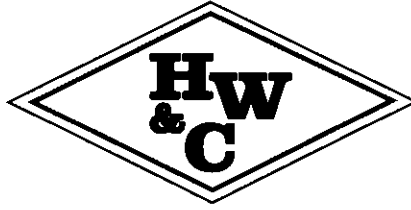
The District is located in Greensburg, Louisiana and grants credit without collateral to patients, most of whom are local residents and are insured under third-party payer agreements. Revenue from patients and third-party payers was as follows:

	<u>2004</u>	<u>2003</u>
Medicare and Medicaid	72%	74%
Commercial and Blue Cross	14%	15%
Private pay	<u>14%</u>	<u>11%</u>
	<u>100%</u>	<u>100%</u>

Supplementary Information

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

J CHARLES PARKER, C.P.A.
LOUIS C. MCKNIGHT, III, C.P.A.
ANTHONY J. CRISTINA, III, C.P.A.
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CERTIFIED PUBLIC ACCOUNTANTS

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(225) 923-3000 • FAX (225) 923-3008

December 10, 2004

**Independent Auditor's Report
on Supplementary Information**

The Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

Our report on our audits of the financial statements of St. Helena Parish Hospital Service District No. 1, a component unit of St. Helena Parish Police Jury for 2004 and 2003 appears on page 3. The audits were conducted for the purpose of forming an opinion on the financial statements taken as a whole. The supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements. For reasons stated in the third paragraph of our report on page 4, we expressed an opinion that the financial statements of St. Helena Parish Hospital Service District No. 1 do not fairly present financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. Therefore, we do not express an opinion on the following additional information.

Yours truly,

Hawthorn, Waymouth & Carroll, L.L.P.

St. Helena Parish Hospital Service District No. 1
Revenue
Years Ended October 31, 2004 and 2003

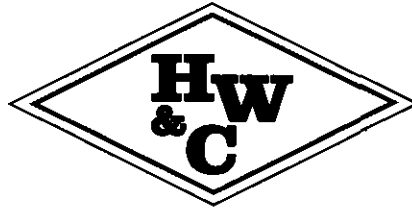
	<u>2004</u>	<u>2003</u>
Patient Service Revenue		
Patient rooms - Hospital	\$323,563	\$248,443
Patient rooms - Nursing Home	2,191,096	2,205,689
Observation rooms	73,470	79,890
Operating and emergency room	573,901	379,645
Medical and surgical supplies	241,798	318,309
Pharmacy	660,013	299,835
X-ray	416,741	603,645
EKG	14,460	34,983
Ultrasound	42,969	50,488
S.H.P. scan	420,594	403,366
Laboratory	1,226,840	1,111,594
Therapy	417,190	450,588
Doctor fees	402,139	291,869
Dietary	33,827	31,087
Cardiology	166,660	115,550
Swing bed	113,559	89,047
Ophthalmology	9,390	9,308
After hours clinic		24,925
Pro fees	65,455	
Uncompensated care	1,037,532	857,362
Intergovernmental funds		<u>1,679</u>
	8,431,197	7,607,302
Less deduction from revenue	<u>812,633</u>	<u>496,117</u>
<u>Net patient service revenue</u>	<u>7,618,564</u>	<u>7,111,185</u>
 Other Operating Revenue		
Ad Valorem Taxes	\$368,376	\$303,020
Miscellaneous	<u>141,950</u>	<u>143,012</u>
	<u>510,326</u>	<u>446,032</u>

St Helena Parish Hospital Service District No. 1
Operating Expenses
Years Ended October 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Supplies and Other		
Food cost	\$155,769	\$143,715
Pharmacy	126,218	97,374
Medical supplies	624,961	580,878
Medical waste services	<u>11,423</u>	<u>10,052</u>
 <u>Total</u>	 <u><u>918,371</u></u>	 <u><u>832,019</u></u>
 General and Administrative		
Bank charges	\$132	\$30
Dues and subscriptions	18,944	13,946
Education	7,951	8,926
Employee benefits	129,174	112,931
Gas	32,259	36,340
Group insurance	430,886	284,687
Insurance	227,241	187,690
Lease and rental expense	254,021	250,675
Legal and professional	61,735	144,029
Maintenance contracts	96,345	93,024
Payroll taxes	298,720	271,116
Penalties and interest	16,637	6,587
Postage	11,161	13,387
Repairs and maintenance	30,063	50,857
Sewerage	2,651	4,719
Telephone	69,315	74,978
Travel	13,953	18,394
Utilities	82,269	45,243
Water	3,407	4,431
Advertising	4,200	9,558
Other	74,842	53,301
UCC assessment	<u>25,060</u>	<u>40,951</u>
 <u>Total</u>	 <u><u>1,890,966</u></u>	 <u><u>1,725,800</u></u>

HAWTHORN, WAYMOUTH & CARROLL, L.L.P.

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December 10, 2004

**Report on Internal Control over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Board of Commissioners
St. Helena Parish Hospital Service District No. 1
Greensburg, Louisiana

We have audited the financial statements of St. Helena Parish Hospital Service District No. 1 as of and for the year ended October 31, 2004, and have issued our report thereon dated December 10, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the St. Helena Parish Hospital Service District No. 1's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the St. Helena Parish Hospital Service District No. 1's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Commissioners, management, Louisiana Legislative Auditor, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. Under Louisiana Revised Statute 24:513 this report is distributed by the Legislative Auditor as a public document.

Yours truly,

Hawthorn, Waymouth & Canell, L.L.P.

**St. Helena Parish Hospital Service District No.1
Summary Schedule of Audit Findings
October 31, 2004**

Findings - Financial Statement Audit

No current year findings were noted.

St. Helena Parish Hospital Service District No. 1
Summary Schedule of Prior Year Findings
October 31, 2004

Findings - Financial Statement Audit

03-1 Payroll Taxes

Condition

In November and December of 2002, the District did not make timely payments for payroll taxes as required by the Internal Revenue Service. Beginning January 2003 through October 2003 payroll tax deposits were made in a timely fashion. We recommend that payroll tax deposits continue to be made timely as required by the Internal Revenue Service. This finding is a repeat of prior year Finding 02-1.

Management's Response

The hospital will continue to make timely payroll tax deposits as required by the Internal Revenue Service.

Management corrected this issue.